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UNCLAS LAGOS 002153

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SUBJECT: NIGERIA: FROM THE ASHES OF NIGERIA AIRWAYS

REF: (A) LAGOS 1690, (B) LAGOS 1768

11. (U) The liquidation of Nigeria's ailing national carrier, Nigeria Airways Limited, may at last be moving forward. According to Bismarck Rewane, Managing Director of Financial Derivatives Company Limited, a leading Lagos-based economic think tank, the Ministry of Justice has begun making preparations to liquidate the airline. While Nigeria Airways may survive as a legal entity for years, the Ministry has declared its intent to sell the carrier's assets and settle its debts.

12. (U) Rewane tells us a new national carrier will take Nigeria Airways' place. He expects an established international airline to hold 30 percent of the new carrier, with core investors holding 20 percent and individual shareholders picking up the remaining 50 percent through an initial public offering. As the largest single shareholder, the international carrier would control the airline's management.

13. (U) With other members of the technical committee advising the Ministry of Aviation on the creation of a new airline, Rewane recommended that the carrier restrict its operations (both passenger and cargo) to West Africa and join an international alliance to take advantage of the routes allocated to Nigeria Airways under the GON's existing bilateral air services agreements. Rewane tells us, however, that despite the committee's recommendations, the new airline may operate point-to-point services to Dubai, Saudi Arabia, London, Johannesburg and New York.

14. (U) Comment: If the GON implements the committee's recommendations - and if reliable international carriers, core investors and individuals express interest in holding shares in the new airline - then the new carrier stands a good chance of getting off the ground. Of three names under discussion, Nigerian Eagle Airlines is most popular. Given the airline's emergence from the ashes of its predecessor, however, Nigerian Phoenix Airlines might be more appropriate. End comment.

GREGOIRE